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2.1 INTRODUCTION

Applicant CE Obsidian Energy LLC proposes to construct the Salton Sea Unit 6 (SSU6) Project at a site within a Known Geothermal Resource Area (KGRA) located in Imperial County, California. The SSU6 Project geothermal power plant will be owned and operated by CE Obsidian Energy LLC, and the associated transmission lines will be owned and operated by the Imperial Irrigation District (IID).

The SSU6 Project will provide an efficient method for meeting power needs in Southern California by providing power from a renewable geothermal source. The plant will use advanced technology and will have a design life of 30 years. The output of the SSU6 Project is 185 megawatts (MW) net.

2.2 PROJECT OBJECTIVES

It is the policy of the State of California to encourage the use of geothermal resources, wherever feasible, recognizing that such use has the potential of providing direct economic benefit to the public, while helping to preserve limited fossil fuel resources and promoting air cleanliness (Public Resources Code, Section 800). The primary objectives of the SSU6 Project are as follows:

1. To safely construct and operate a 185-MW net geothermal power plant in Imperial County and to sell power to the Imperial Irrigation District (IID) and others.
2. To assist the State in developing an indigenous and diversified energy supply, reducing California's dependence on fossil fuels.
3. To contribute to the achievement of the California Energy Commission's policy, which is to maximize the use of geothermal energy to generate electricity.
4. To provide reliability and stability to the IID grid in Imperial and Riverside Counties.
5. To further develop geothermal energy production within the Salton Sea Known Geothermal Resource Area (KGRA) in proximity to recoverable geothermal resource, water supply, and electrical transmission lines.
6. To use commercially feasible means to achieve prompt and efficient development of geothermal resources, a renewable energy source, and provide a fair return on the project investment.
7. To develop a project that will be sufficiently attractive to the investment community so that the required construction funds can be obtained.
8. To contribute to the diversification of Imperial County's economic base by providing increased employment opportunities and additional revenue sources from commercial geothermal development.

2.3 DEMAND CONFORMANCE

The SSU6 Project would help in meeting the future energy demands of Imperial County and continue to diversify energy sources in Southern California. The SSU6 Project would use geothermal energy that would be available 24 hours a day, 365 days a year, and would have an average availability of 95 percent or higher, compared to 60 to 70 percent for coal and nuclear power plants (EREN website). Electricity has already been contracted by IID, which would ensure the purchase and use of the energy. By providing clean, efficient power using renewable geothermal resources in the first quarter of 2005, the SSU6 Project helps fulfill the long-term energy needs of California.

Prior to January 1, 2000, the Public Resources Code directed the CEC to perform an integrated assessment of need, taking into account 5- and 12-year forecasts of electricity supply and demand, as well as various competing interests, and to adopt the assessment in a biennial electricity report. In certification decisions, the CEC was required to find that a proposed power plant conformed to the CEC's integrated assessment of need for new resource additions (Pub. Resources Code Section 25523[f] and 25524[a]).

Effective January 1, 2000, Senate Bill 110 (Stats, 1999, Ch. 581) repealed Sections 25523(f) and 25524(a) of the Public Resources Code and amended other provisions related to assessment of need for new resources. Specifically, it removed the requirement that the CEC make a finding of need conformance in certification decisions. Senate Bill 110 states in a pertinent part:

> "Before the California electricity industry was restructured, the regulated cost recovery framework for power plants justified requiring the commission to determine the need for new generation and site only power plants for which need was established. Now that power plant owners are at risk to recover their investments, it is no longer appropriate to make this determination" (Pub. Resources Code Section 25009, added by Stats. 1999, Ch. 581).

Because of this legislation, an AFC that reaches final CEC decision after January 1, 2000, is not subject to a determination-of-need conformance.

Pursuant to Public Resources Code Section 25540.2, Applicant requests that no Notice of Intention (NOI) to construct a thermal power plant and related transmission lines, set forth in Public Resources Code Section 25502, be required in this matter. The SSU6 Project is located in a KGRA, and is capable of providing geothermal resources in commercial quantities as required under Public Resources Code Section 25540.2. As such, no NOI should be required in this matter.

The Salton Sea field has been known to have significant reserves since oil and gas companies first discovered the field in 1958 during exploration. A ''known geothermal resource area'' is an area in which the geology, nearby discoveries, competitive interests, or other indicia would, in the opinion of the Secretary of the Interior, engender a belief in those who are experienced in the subject matter that the prospects for extraction of geothermal steam or associated geothermal resources are good enough to warrant expenditures of money for that purpose. *See* 30 U.S.C. 1001. The Salton Sea is a KGRA as defined by the United States Geological Survey, which has designated the Salton Sea and eight other KGRAs in Imperial County. *See* Imperial County

General Plan, Geothermal/Transmission Element, p. 5. Moreover, the California Division of Oil, Gas and Geothermal Resources has designated the Salton Sea as a geothermal field. *Id.* at 7.

The Applicant estimates that the Salton Sea field has probable reserves of 1,200 MW, and possible reserves of 2,300 MW. GeothermEx, Inc. (GeothermEx), consultants with expertise in the valuation of geothermal energy projects, has performed third-party reservoir engineering evaluations of the field and concluded that 1,200 MW of reserves are available within the portion of the Salton Sea Field dedicated to the Salton Sea Unit 6 project area. The Imperial County General Plan, Geothermal/Transmission Element, identifies the Salton Sea as a KGRA with an estimated capacity of 1,400 MW. For additional information regarding the Salton Sea as a KGRA, site history and the project site selection process, please see Section 3.2.1.